



# House of Representatives

General Assembly

**File No. 731**

*January Session, 2017*

House Bill No. 5886

*House of Representatives, May 9, 2017*

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT ESTABLISHING A TAX CREDIT FOR DONATED  
AGRICULTURAL FOOD COMMODITIES PRODUCED OR GROWN BY  
THE TAXPAYER.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1      Section 1. (NEW) (*Effective July 1, 2017, and applicable to income years*  
2      *commencing on or after January 1, 2017*) (a) There shall be allowed a  
3      credit against the tax imposed under chapter 208 or 229 of the general  
4      statutes, other than the liability imposed by section 12-707 of the  
5      general statutes, for agricultural food commodities such as fruits,  
6      vegetables, dairy, eggs, poultry or meat, that are (1) grown or  
7      produced by the taxpayer, and (2) donated by such taxpayer to a food  
8      bank in the state or an emergency feeding organization in the state,  
9      recognized by the Department of Revenue Services.
- 10      (b) (1) The amount of the credit shall be fifteen per cent of the  
11      market value of the product donated during the income year for which  
12      the credit is claimed, or five thousand dollars, whichever is less. Any  
13      credit not used in the income year for which it was allowed may be

14 carried forward for the five immediately succeeding income years until  
15 the full credit has been claimed. Any taxpayer claiming the credit shall  
16 provide to said department documentation supporting such claim in  
17 the form and manner prescribed by the Commissioner of Revenue  
18 Services.

19 (2) If the taxpayer is an S corporation or an entity treated as a  
20 partnership for federal income tax purposes, the credit may be claimed  
21 by the taxpayer's shareholders or partners. If the taxpayer is a single  
22 member limited liability company that is disregarded as an entity  
23 separate from its owner, the credit may be claimed by such limited  
24 liability company's owner, provided such owner is subject to the tax  
25 imposed under chapter 208 or 229 of the general statutes.

26 (c) (1) No taxpayer shall donate agricultural food commodities that  
27 the Department of Public Health or a local director of health, or an  
28 authorized agent thereof, has embargoed or ordered destroyed, are  
29 adulterated, as defined in section 21a-101 of the general statutes, or are  
30 not fit for human consumption.

31 (2) No taxpayer shall receive remuneration for a donation made  
32 pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2017, and applicable to income years commencing on or after January 1, 2017</i>	New section

**FIN**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$
Revenue Serv., Dept.	GF - Revenue Loss	Less than 30,000	Less than 30,000
Revenue Serv., Dept.	GF - Cost	Less than 5,000	None

Note: GF=General Fund

#### **Municipal Impact:** None

#### **Explanation**

The bill, which establishes a tax credit for certain food donations, results in a General Fund revenue loss of less than \$30,000 annually beginning in FY 18 and a one-time cost of less than \$5,000 to the Department of Revenue Services (DRS) in FY 18 only.

The revenue estimate assumes that approximately 70,000 pounds of eligible foods are donated annually at a market value of approximately \$2.30 per pound.

The cost estimate includes updates to the DRS' online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

#### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Iowa Department of Revenue  
United States Department of Agriculture 2016 State Agriculture Overview for CT and IA

**OLR Bill Analysis****HB05886*****AN ACT ESTABLISHING A TAX CREDIT FOR DONATED AGRICULTURAL FOOD COMMODITIES PRODUCED OR GROWN BY THE TAXPAYER.*****SUMMARY**

This bill authorizes tax credits based on the value of fruit, vegetables, poultry, and other agricultural commodities businesses grew or produced and donated to Department of Revenue Services (DRS) recognized food banks or emergency feeding organizations in Connecticut. The credit equals 15% of the market value of the donated commodities in the income year the taxpayer claims the credit, up to \$5,000. It can be applied against the personal income or corporation business tax.

To claim a credit, a taxpayer must provide any documentation supporting the claim that the DRS commissioner requires. The taxpayer cannot claim the credit for commodities that are adulterated, unfit for human consumption, or that the state public health department has embargoed or ordered destroyed. Nor can the taxpayer claim credits if it received any remuneration for a donated commodity.

The taxpayer can be the owner or partner of a business structured as an S corporation, partnership or other type of business entity that is not liable for corporation business taxes on the income the entity generates. (These entities are often referred to as “pass-through entities” because they pass along the income to their owners and partners, who are then liable for taxes on it.)

If the entity is structured as a limited liability company, has only one owner, and does not file a separate federal tax return

("disregarded entity"), the owner may claim the credit against personal income or corporation business tax, depending on whether the owner is an individual or a corporation.

EFFECTIVE DATE: July 1, 2017 and applicable to income years beginning on or after January 1, 2017.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 51 Nay 0 (04/27/2017)